THE SCHOOL ADMINISTRATOR

and Uniform Compliance Guidelines
ISSUED BY STATE BOARD OF ACCOUNTS

Volume 172 **December 2005**

ITEMS TO REMEMBER

DECEMBER

December	1:	Prove the Fund Ledger and Ledger of Receipts for the month of November to the control of all funds and reconcile the control with the depository statement. Prove all receipt accounts for each fund to total receipts for that fund. Prove the Ledger of Appropriations, Allotments, Encumbrances, Disbursements, and Balances to the total disbursements of the control account of the Fund Ledger. Prove all expenditure accounts with each program to the total disbursements of that program.
December	20:	Last day to report and make payment of state and county income tax withheld during November to the Department of Revenue. (Please review Volume 140, Page 7, December 1997.)
December	20:	Payment for school aid bonds and coupons due in January must be made to civil townships by school corporations reorganized according to the provision of Chapter 202, Acts of 1959 if the reorganization plan provides for such payments or if the board of school trustees by resolution adopted has provided for such payments. (IC 20-23-16-7)
December	25:	Merry Christmas - Legal Holiday (IC 1-1-9-1)

JANUARY

January	1:	New Year's Day - Legal Holiday (IC 1-1-9-1)
January	2:	Open a Ledger of Appropriations, Allotments, Encumbrances, Disbursements, and Balances by recording the appropriations by programs approved by the board of school trustees in the Resolution of Appropriations for the 2006 calendar year unless such appropriations must be reduced pursuant to action taken by the County Board of Tax Adjustment (if applicable) or by the Department of Local Government Finance. Record in the expenditure accounts of each program the allotments made by the board of school trustees. Also add to the 2006 year's appropriations by programs and to the expenditure accounts by allotments, any encumbered appropriations and allotments of the 2005 calendar year to be carried forward.
January	3-31:	Annual meeting of the school board to organize as board of finance by electing one member as president and one member as secretary for the year. A school corporation (as defined in IC 36-1-2-17) may determine if a board of finance meeting is needed on an annual basis. (After the first Monday and on or before the last day of January.) (IC 5-13-7-6)
January	15-31:	IC 20-20-8-3 provides that no earlier than January 15 or later than January 31 of each year the governing body of a school corporation shall publish an annual performance report in accordance with IC 20-20-8-3.

JANUARY
(Continued)

January 20: Last day to report and make payment of state and county income tax withheld during December to the Department of Revenue. (Please review Volume 140, Page 7, December 1997.)

January 16: Martin Luther King, Jr.'s Birthday - Legal Holiday (IC 1-1-9-2)

January 31: Last day to file fourth quarter report with the Internal Revenue Service and complete payment of federal tax withheld. Each employee shall be furnished Form W-2.

January 31: Last day to file form 100-R, Report of Names, Addresses, Duties and Compensation of Officers and Employees, with the State Board of Accounts.

FEBRUARY

February 1: Prove all ledgers for the month ending January 31 as outlined for the month of December.

February 12: Legal Holiday – Lincoln's Birthday. (IC 1-1-9-1)

February 20: Legal Holiday –Washington's Birthday. (IC 1-1-9-1)

February 20: Last day to report and make payment of state and county income tax withheld during January to the Department of Revenue. (Please review Volume 140, Page 7, December 1997.)

February 28: Last day to file withholding statements together with Yearly Reconcilement of Employer' s Quarterly Tax Returns with Internal Revenue Service and Indiana Department of Revenue, respectively.

SOCIAL SECURITY

We understand that for the maximum amount of taxable and creditable annual earnings subject to social security will increase to $94,200 in 2006. No maximum base for Medicare will exist. Rates will remain at the 2005 level at a combined rate of 7.65 percent (both employer and employee for a total of 15.3 percent) representing a 6.20 percent rate for social security and 1.45 percent for Medicare.

OBSOLETE VOLUME

All articles of Volume 132 of The School Administrator have now been updated and reprinted in later volumes of The School Administrator and Uniform Compliance Guidelines, or are no longer applicable; thus, Volume 132 which was distributed in December 1995 may now be deleted from your file.

PUBLIC EMPLOYEES DEFERRED COMPENSATION PLANS

IC 5-10-1.1 provides authority for the State and departments and agencies, and any political subdivisions (including school corporations) to enter into a deferred compensation plan for employees. Each plan shall be selected by the governing body of the political subdivision. Participation shall be by written agreement between each employee and the governing body of the political subdivision, which agreement provides for the deferral of compensation and subsequent administration of such funds.

The governing body of the political subdivision for purposes of funding such agreements may in accordance with IC 5-10-1.1-7:

> "(1) designate one (1) of its agencies or departments to establish and administer such plans and choose such funding as deemed appropriate by the agency or department, which may include more than one (1) funding product; (2) extend the state employees' deferred compensation plan to employees of the political subdivision, subject to the terms and conditions of the state employees' deferred compensation plan as it is established from time to time; or (3) offer both of the plans described in subdivisions (1) and (2)."

IC 5-10-1.1-3 states: "A deferred compensation plan established under this chapter exists and serves in addition to other retirement, pension and benefit systems established by the state, or political subdivision, and may not effect a reduction of any retirement, pension or other benefit provided by applicable law. Any compensation deferred under such a plan shall continue to be included as regular compensation for the purpose of computing the retirement and pension benefits earned by any employee."

Please see IC 5-10-1.1-1 et seq. for the various requirements, programs, and extent of participation available to school corporations.

BOARD OF FINANCE - ANNUAL MEETING

IC 5-13-7-6 requires each local board of finance to meet annually after the first Monday and on or before the last day of January. At the annual meeting the board of finance shall elect from the board's membership a president and a secretary. However, IC 5-13-7-5 states in part: "A school corporation (as defined in IC 36-1-2-17) may determine if a board of finance meeting is needed on an annual basis."

The board of finance shall also receive and review the written report of the investing officer that summarizes the school corporation's investments during the previous year. The report must contain the name of each financial institution, governmental agency or instrumentality or other person with whom the school corporation invested money during the previous calendar year.

The board of finance is to review the overall investment policy of the school corporation. The following format is recommended to be completed and given to the Board of Finance:

REPORT OF INVESTMENTS

FOR THE YEAR 20____

FINANCIAL INSTITUTION/GOVERNMENT AGENCY/OTHER	TYPES OF INVESTMENTS (CD'S GOV'T SECURITIES, ETC.)	AMOUNT INVESTED
____________	____________	$________
____________	____________	$________

CHART OF ACCOUNTS

The State Board of Accounts is in the process of updating the Chart of Accounts to more closely coincide with reporting for the National Center for Educational Statistics, U.S. Department of Education. Please advise any affected users, ie, business, accounting, information technology, etc., of the probable change to fund, receipt, and expenditure numbers. We anticipate changes would be effective with the 2006-2007 school year. We will be previewing and discussing the changes during school meetings in 2006, including workshops in cooperation with IASBO tentatively scheduled for April 2006.

NEW FEDERAL MILEAGE RATE

We understand effective January 1, 2006, the new Federal mileage rate will be 44.5 cents per mile. The State mileage rate is currently 40 cents per mile.

RETIREMENT/SEVERENCE BENEFITS

The following is an overview of our audit position regarding accounting for retirement and severance benefits under the applicable statutes.

RETIREMENT/SEVERANCE BOND FUND

Retirement/Severance Bond Fund, designated Fund Number 062, is authorized by IC 21-2-21-1.8 to provide in part: (b) This section applies to each school corporation that: (1) did not issue bonds under IC 20-5-4-1.7 before its repeal; or (2) issued bonds under IC 20-5-4-1.7 before April 14, 2003. (c) In addition to the purposes set forth in section 1 of this chapter, a school corporation described in subsection (b) may issue bonds to implement solutions to contractual retirement or severance liability. The issuance of bonds for this purpose is subject to the following conditions: (1) The school corporation may issue bonds under this section only one (1) time. (2) The school corporation must issue the bonds before July 1, 2006. (3) The solution to which the bonds are contributing must be reasonably expected to reduce the school corporation's unfunded contractual liability for retirement or severance payments as it existed on June 30, 2001.

RETIREMENT/SEVERANCE BOND DEBT SERVICE FUND

Retirement/Severance Bond Debt Service Fund, designated Fund Number 025, is required by IC 21-2-21-1.8 for repayment of retirement/severance bonds.

POST-RETIREMENT/SEVERANCE FUTURE BENEFITS FUND

Post-retirement/Severance Future Benefits Fund, designated Fund Number 063, is required by IC 21-2-20 to provide a school corporation that: (1) after June 30, 2001, establishes a retirement or severance plan that will require the school corporation to pay post-retirement or severance benefits to employees of the school corporation; or (2) includes in a collective bargaining agreement or other contract entered into after June 30, 2001, any provisions to increase: (A) the benefit; or (B) the unfunded liability; under any retirement or severance provisions that will require the school corporation to pay post-retirement severance benefit to employees of the school corporation.

RETIREMENT/SEVERENCE BENEFITS (Continued)

IC 21-2-20-2(a) provides a school corporation must fund on an actuarially sound basis the post-retirement or severance benefits that will be paid to employees under a plan, an agreement, or a contract described in section 1(1) of this chapter or an increase described in section 1(2) of this chapter. (b) A school corporation must place the assets used to fund on an actuarially sound basis the post-retirement or severance benefits in a separate fund or account, and the school corporation may not commingle the assets in the separate fund or account with any other asset of the school corporation.

Meetings with some actuaries from different companies produced the following possible scenarios based on the assumptions provided.

We had several issues to discuss, and felt satisfied when completed that we had agreement on all the key elements. First some basic understandings;

1. Not all assumptions used by these three actuarial groups were identical, mortality, withdrawal or termination rates, insurance inflationary rates, present value discount rates, and assumed retirement ages varied from firm to firm, but the end results were similar.
2. Not all school corporations valued all promises they had made; many only including liabilities of administrators and teachers or teachers only, ignoring the classified/non-certified staffs' unfunded liability or that of the previously retired staff. Many also did not include their share of any Special Educational or Vocational Cooperative set of promises. (We, the actuarial groups that authored this document, agreed that each corporation should review its individual situation *again* to be sure they've identified all *their* unfunded liabilities for retirement and severance programs).
3. The results of an updated valuation of a school district's unfunded liability will depend on the decisions made by the school district previously. If the school district decided to not fund or not pursue a bond, results will differ greatly. (For example, if a school district elected not to bond, consideration should be given as to whether amounts funded after the benchmark and deposited into fund 63 should be used for liabilities that were valued when determining the original benchmark as of June 30, 2001.)
4. *Perhaps not all school districts have completed an original benchmarking activity, as nearly 70 districts did not pursue the bonding option provided within SEA 199. These districts should make every effort to do so as soon as possible as the data necessary for the original study becomes more difficult to develop over time.*

The next several points will deal with the use of the benchmark study or valuation (on or about June 30, 2001) and how it is to be used when comparing the present day unfunded liability levels.

- First, each district should have its benchmarking or original valuation handy for the Board of Accounts examination. The actuarial firms agreed to use the total Present Value of the Future Benefits in all valuations.
- Second, they should have received from their selected actuarial firm, a more current valuation, done sometime within six to eight months prior to the scheduled examination. Any deviation in assumptions from the first valuation should be clearly noted or it will be assumed to have been developed with the same assumptions as used in the original study.
- The actuarial firm should provide a one-page summary of the liability comparisons and give *funding options* to the district to maintain compliance with the SEA 199 legal requirement of funding on an actuarially-sound basis, signed by the actuary (See samples attached).
    - The effect of the bonding in-flow of cash should be treated the same way as any re-configuring of the severance and retirement benefits, if a buy down or buyout of benefits occurred.
    - The bonding dollars should be segregated to exclude 'cost of issuance' expenses as well as other consulting/legal and actuarial fees.

NO BONDING AND NO PREFUNDING

Indiana School Corporation
Actuarial Certification

Actuarial Information

	07/01/2001	**07/01/2005**
Actuarial present value of future benefits		
Sick days and years of service benefit	$300,000	$330,000
Bridge benefit	$2,000,000	$2,150,000
Health	$1,500,000	$1,700,000
Other	$0	$0
All benefit	$3,800,000	$4,180,000
Fair market value of assets		
Account 62	$0	$0
Account 63	$0	$0
All sources	$0	$0
Actuarial present value of unfunded benefits	$3,800,000	$4,180,000
Change in unfunded benefits	NA	$380,000

Actuarially Determined Account 63 Contribution
For Period Beginning July 1, 2005

Average future service for existing active participants	18 years
Minimum annual contribution based on 20-year amortization period	
(a) Actuarial present value of unfunded benefits	$380,000
(b) Level amortization factor	14.877
(c) Annual contribution (a) / (b)	$25,542
Recommended annual contribution based on average future service	
(a) Actuarial present value of unfunded benefits	$380,000
(b) Level amortization factor	13.754
(c) Annual contribution (a) / (b)	$27,629

Actuarial Certification

The information presented in this report is based on the actuarial assumptions used and the information furnished to us by the school system. All calculations have been made in accordance with generally accepted actuarial principles and practice.

To our knowledge, there have been no significant events prior to the current year's measurement date, or as of the date of this report, which could materially affect the results contained herein.

Certified by

Actuary's name and credentials Date
Firm name

NO BONDING AND NO PREFUNDING
NATURAL REDUCTION IN UNFUNDED

Indiana School Corporation
Actuarial Certification

Actuarial Information

Actuarial present value of future benefits	**07/01/2001**	**07/01/2005**
Sick days and years of service benefit	$300,000	$290,000
Bridge benefit	$2,000,000	$1,950,000
Health	$1,500,000	$1,500,000
Other	$0	$0
All benefit	$3,800,000	$3,740,000
Fair market value of assets		
Account 62	$0	$0
Account 63	$0	$0
All sources	$0	$0
Actuarial present value of unfunded benefits	$3,800,000	$3,740,000
Change in unfunded benefits	NA	($60,000)

Actuarially Determined Account 63 Contribution
For Period Beginning July 1, 2005

The current level of unfunded benefits has decreased from the July 1, 2001 legislated funding threshold and no contribution is needed.

Actuarial Certification

The information presented in this report is based on the actuarial assumptions used and the information furnished to us by t school system. All calculations have been made in accordance with generally accepted actuarial principles and practice.

To our knowledge, there have been no significant events prior to the current year's measurement date, or as of the date of this report, which could materially affect the results contained herein.

Certified by

Actuary's name and credentials Date
Firm name

USE BOND PROCEEDS AS BENEFITS COME DUE

Indiana School Corporation
Actuarial Certification

Actuarial Information

Actuarial present value of future benefits	**07/01/2001**	**07/01/2005**
Sick days and years of service benefit	$300,000	$330,000
Bridge benefit	$2,000,000	$2,150,000
Health	$1,500,000	$1,700,000
Other	$0	$0
All benefit	$3,800,000	$4,180,000
Fair market value of assets		
Account 62	$2,000,000	$1,800,000
Account 63	$0	$0
All sources	$2,000,000	$1,800,000
Actuarial present value of unfunded benefits	$1,800,000	$2,380,000
Change in unfunded benefits	NA	$580,000

Actuarially Determined Account 63 Contribution
For Period Beginning July 1, 2005

Average future service for existing active participants	18 years
Minimum annual contribution based on 20-year amortization period	
(a) Actuarial present value of unfunded benefits	$580,000
(b) Level amortization factor	14.877
(c) Annual contribution (a) / (b)	$38,985
Recommended annual contribution based on average future service	
(a) Actuarial present value of unfunded benefits	$580,000
(b) Level amortization factor	13.754
(c) Annual contribution (a) / (b)	$42,171

Actuarial Certification

The information presented in this report is based on the actuarial assumptions used and the information furnished to us by the school system. All calculations have been made in accordance with generally accepted actuarial principles and practice.

To our knowledge, there have been no significant events prior to the current year's measurement date, or as of the date of this report, which could materially affect the results contained herein.

Certified by

Actuary's name and credentials Date
Firm name

PARTIAL BUYOUT OF BENEFITS

Indiana School Corporation
Actuarial Certification

Actuarial Information

	07/01/2001	07/01/2005
Actuarial present value of future benefits		
Sick days and years of service benefit	$300,000	$330,000
Bridge benefit	$2,000,000	$0
Health	$1,500,000	$1,700,000
Other (reduction for bridge benefit buyout)	($500,000)	$0
All benefit	$3,300,000	$2,030,000
Fair market value of assets		
Account 62 (funds deposited in individual accounts	$1,500,000	$0
Account 63	$0	$0
All sources	$1,500,000	$0
Actuarial present value of unfunded benefits	$1,800,000	$2,030,000
Change in unfunded benefits	NA	$230,000

Actuarially Determined Account 63 Contribution
For Period Beginning July 1, 2005

Average future service for existing active participants	18 years
Minimum annual contribution based on 20-year amortization period	
(a) Actuarial present value of unfunded benefits	$230,000
(b) Level amortization factor	14.877
(c) Annual contribution (a) / (b)	$15,460
Recommended annual contribution based on average future service	
(a) Actuarial present value of unfunded benefits	$230,000
(b) Level amortization factor	13.754
(c) Annual contribution (a) / (b)	$16,723

Actuarial Certification

The information presented in this report is based on the actuarial assumptions used and the information furnished to us by the school system. All calculations have been made in accordance with generally accepted actuarial principles and practice.

To our knowledge, there have been no significant events prior to the current year's measurement date, or as of the date of this report, which could materially affect the results contained herein.

Certified by

Actuary's name and credentials Date
Firm name

COMPLETE BUYOUT OF ALL BENEFITS

Indiana School Corporation
Actuarial Certification

Actuarial Information

	07/01/2001	**07/01/2005**
Actuarial present value of future benefits		
Sick days and years of service benefit	$300,000	$0
Bridge benefit	$2,000,000	$0
Health	$1,500,000	$0
Other (reduction for buyout)	($1,800,000)	$0
All benefit	$2,000,000	$0
Fair market value of assets		
Account 62	$2,000,000	$0
Account 63	$0	$0
All sources	$2,000,000	$0
Actuarial present value of unfunded benefits	$0	$0
Change in unfunded benefits	NA	$0

Actuarially Determined Account 63 Contribution
For Period Beginning July 1, 2005

No unfunded benefits currently exist therefore no contribution is necessary.

Actuarial Certification

The information presented in this report is based on the actuarial assumptions used and the information furnished to us by the school system. All calculations have been made in accordance with generally accepted actuarial principles and practice.

To our knowledge, there have been no significant events prior to the current year's measurement date, or as of the date of this report, which could materially affect the results contained herein.

Certified by

Actuary's name and credentials Date
Firm name

The recommended maximum amortization period is 20 years so as to not unduly burden future generations of taxpayers.

Other recommended amortization periods could include the following
- the expected duration of the bargaining contract,
- a fixed period or date linked to the plan design. For example, the bridge benefit is scheduled to expire by 2010, and
- the average future service to the earliest retirement age.

The fair market value of assets should not include assets allocated to administrative expenses or bond expenses.

The actuarial certification should also include a
- description of actuarial assumptions used in the calculations
- description of benefits valued and changes since the last actuarial certification.
- reconciliation of assets since the last actuarial certification.
- description or summary of census information
- any additional information the actuary may deem applicable to the measurement of liabilities

The actuarial funding method recommended by the actuarial firms is the aggregate cost method.
This method was selected due to its straightforward approach.

A building block approach is being recommended for funding. New amortization amounts (positive or negative) will be added as future actuarial valuations are done. All amortizations will be considered fully amortized when the current unfunded benefit decreases below the July 1, 2001 unfunded threshold.